

NW Bicester: Discussion Paper on Options for a Local Management Organisation (LMO)

EXECUTIVE SUMMARY

Background

1. The Eco Towns Supplement to Planning Policy Statement 1 requires that planning applications for Eco Towns should be accompanied by details of the long term governance structures that will prevail. Therefore it is sensible that Cherwell District Council (CDC), Oxfordshire County Council (OCC) and Bicester Town Council (BTC) set some time aside now to discuss what sort of arrangements they would like to see in place, so that they are able to give informed guidance to the promoters on their proposals.
2. A Local Management Organisation (LMO) for North West Bicester could complement existing democratic structures but could also offer local residents and businesses a forum for active participation, where non-elected citizens could come together in decision-making, on issues that affect their immediate area.
3. The setting up of such organisations is not a new idea; Letchworth Garden City and Milton Keynes have such governance structures. The Northmoor Trust is another example, closer to home. Although they have each been set up in a slightly different way, the main element they have in common is that they have been set up for the express benefit of the local community and to allow them a direct voice in local governance.

Remit and Activities

4. In considering what the new organisation could do, it will be important to understand how responsibilities in the CDC area are currently apportioned. Future discussions between the 3 tiers of local government will need to establish fairly early on what areas they envisage they will continue to be responsible for in NW Bicester and what areas could be managed by a new organisation.
5. Much of the existing management responsibilities in Bicester are liabilities, in that they need revenue funding to be provided and do not in themselves give a financial return. We may well have an aspirational list of functions we would like the new managing organisation at NW Bicester to perform, but many of these are likely to be liabilities and unless these liabilities can be balanced with a portfolio of activities capable of sustaining a profit over time, the venture will fail.
6. Based on what we know about the emerging masterplan for NW Bicester and having looked at other successful LMOs, the asset base could include the following items. However this list is not exhaustive and does not cover potential funding to be gained from other entrepreneurial activities that the new organisation could perform.

- Community meeting places
- Childcare / Nurseries
- Leisure Facilities
- Parks and open spaces
- Playgrounds
- Land allocated for commercial purposes, e.g. retail
- Business park or units
- Office space
- Selling energy back to the National Grid, through stake in an ESCO (Energy Supply Company) or MUSCO (Multi-Utility Supply Company)

Area of Operation

7. There are a number of possible options in terms of the physical area to be covered by the new LMO:
 - i) The new organisation could cover the entire site of the NW Bicester Eco-Town, including the exemplar development, but is confined solely to this area
 - ii) The new organisation could cover a wider area, potentially taking in other areas within Bicester, including areas of new development, such as the SW Bicester development;
 - iii) The new organisation could extend its remit beyond Bicester into wider Oxfordshire, particularly focusing on providing a service in other sizeable areas of new development.
8. The main advantage of a wider area of operation would be to allow greater economies of scale and to enable the potential for a wider income stream generation. There could also be potential to achieve a better level of integration with the existing community through the new organisation's democratic and community engagement activities.
9. The main disadvantage of the new organisation taking on a wider area of operation would be the greater potential for it to tread on the toes of the existing local authorities and local councils in the area, by replicating functions. Also, the larger the organisation, the greater the impact if it fails for any reason. Finally, an organisation that covers a larger area than just NW Bicester may lose its focus, to the detriment of the original ideals of the Eco-Town.
10. Ideally the new organisation could be set up so that it evolved over time, starting with a low base, with its growth being justified primarily by the expanding population and development of NW Bicester. These trigger points would be arrived at from a clear financial and delivery plan as to how growth in services and assets would be delivered. If it was decided that there would ultimately be advantages to be gained from having an organisation that extended beyond the immediate NW Bicester boundary, then it may be that it would be sensible if the new organisation first cut its teeth on dealing just with NW Bicester. Having shown it was capable of dealing effectively with running at this scale, it

could at a future stage, expand its operations into the surrounding area.

Promoters' Views

11. The views of the promoters, A2 Dominion and P3 Eco will also need to be taken account of in any future decisions on the LMO. They will want to ensure that any organisation set up to manage NW Bicester's public realm and any other asset, is experienced, fit for purpose and will achieve the highest standards of maintenance. Their concern is likely to be that if the new managing organisation fails in this respect, it will have a detrimental impact on the appearance and quality of the development, which in turn could deter sales of land to developers, or residences and business premises to individuals (depending on what their disposal strategy is), which in turn could give rise to cash flow problems.

Organisational Structure

12. In identifying a suitable organisational and legal structure it is worth bearing in mind that form should ideally follow function. The type of activity as well as the nature and quantum of what is to be managed will need to be understood before any key decisions are made about organisational structure. Once the masterplan has developed further, it will need to be evaluated to see what organisational and legal structures could be best suited to the Eco-Town.
13. In essence, there are four main approaches to the management of the public realm and assets, none of which are mutually exclusive. They are:
 - Through the public sector - parish, district and county (in other words what already exists in Bicester).
 - Contracting to a private management company – this could well be an interim approach employed by the promoter / developer to overcome their concerns as set out in paragraph 11 above.
 - Partnering with a Registered Social Landlord (RSL) - in NW Bicester's case, the early involvement of A2 Dominion on the Exemplar Scheme and possibly in the full development, may provide a fruitful opportunity for further productive discussions in this respect.
 - Through a new community based organisation.

Community Based Organisations

14. A community based organisation for NW Bicester could take several forms:
 - i) A Development Trust
This is essentially a voluntary organisation which could take the form of a company limited by guarantee, with possible charitable status. As a

charity, its assets would need to be used for public benefit and in accordance with its objects - effectively an asset lock. It could have separate trading companies which would covenant its profits back to the parent charity through Gift Aid.

- ii) **A Community Interest Company (CIC)**
This is a type of Social Enterprise which can be established explicitly to trade, make profit and use assets for the public good. The idea behind CICs, which were promoted by the previous government, is that they are suitable for those circumstances where there is a need to work within the relative freedom of the familiar limited company framework but without either the private profit motive or charity status.
- iii) **A Community Land Trust (CLT)**
This could generate value through community ownership of an area of land, often used to secure affordable housing in perpetuity and also suitable for other purposes. This works on the principle that transferring land to community ownership allows the capture of value uplift of the asset over the long term, thus, with the example of affordable housing, allows low costs / affordability to be sustained over the long term.
- iv) **A Commonhold Association**
The essential principle behind Commonhold Associations is the management of the common asset through the democratic mechanism of the Commonhold Association, on the basis of one member, one vote. It allows freehold ownership of individual residential and non-residential units within the wider estate which is owned by the Commonhold Association. Therefore the Commonhold Association is a limited company and is the vehicle which owns and manages the common parts of the estate (or buildings such as blocks of flats).

Funding

- 15. The whole matter of ensuring that there is sufficient funding to support the LMO is referred to several times throughout this paper. This is because it is such an important part of ensuring that the LMO is successful over all stages of its activities. There may be several available sources of funding; however a key assumption is that a major part will come from having an adequate financial endowment and asset base available to the LMO, negotiated via the S106 Agreement attached to any outline consent.
- 16. A basic point to make is that from the promoters' point of view, there will be a finite S106 budget, therefore, realistically assets and endowments for the new LMO will compete in the S106 negotiations with more traditional infrastructure requirements, unless other significant sources of funding are available. As part of the S106 negotiations, it would be advisable to proceed with the developer on an open book basis so any impact on overall scheme viability can be properly assessed by the local authorities. Whatever the picture on viability, in terms of funding, it

would be wise to proceed on the basis of seeking to fund the LMO through a portfolio of approaches.

17. Other sources of funding could include: through the LMO carrying out entrepreneurial activities, through precepts (raised by Bicester Town Council) and service charges (raised by the new LMO), tax efficiencies arising from the way the organisation is set up, Eco Towns funding, future potential grant funding and tying in the LMO with a strong parent organisation.

Conclusions

18. There are many issues to consider in terms of the role any future LMO could play in the future management and governance at NW Bicester. It is recommended that as a first step, a discussion forum is set up as soon as possible in order to discuss and agree initial views on the LMO's scope of activities, area of operation and the degree to which it is independent from the other local authority tiers. Suggested invitees are: the leaders of CDC and OCC Councils as well as the leader of Bicester Town Council.

NW Bicester: Discussion Paper on Options for a Local Management Organisation (LMO)

1.0 Introduction

- 1.1 This paper has been commissioned by Cherwell District Council in order to inform initial internal discussions on a Local Management Organisation (LMO) for the North West Bicester Eco-Town.
- 1.2 The creation of such a vehicle may well be reasonably straightforward or it could end up being more complex, depending on its remit. In essence, there are a range of different tasks that the organisation could perform, which will require different kinds of organisational mechanism, which could require different funding solutions. What is important is that whatever solution is agreed, is on the basis of a thorough investigation of the options, potential risks and opportunities. It is also important that it has the full support of the wider Bicester community, particularly Bicester Town Council (BTC), as well as the promoters P3 Eco and A2 Dominion.
- 1.3 This paper aims to provide an initial survey of the key issues to assist the officers and members of Cherwell District Council (CDC) Oxfordshire County Council (OCC) and Bicester Town Council (BTC) in their discussions. It will conclude by identifying the next steps necessary to progress the LMO proposals for the NW Bicester Eco-Town. It is not the intention of this paper to cover all the detail relating to legal and financial structure options, although this will of necessity be briefly discussed; it is suggested that these matters be more thoroughly investigated once agreement has been reached on the nature and scope of the LMO.
- 1.4 The critical point is that as it will be incumbent on the promoters to submit details of the community governance structures with their planning application, it is only sensible that CDC, OCC and BTC set some time aside now to discuss what sort of arrangements they would like to see in place, so that they are able to give informed guidance to the promoters on their proposals.

2.0 Potential Benefits a bespoke LMO could bring to the NW Bicester Eco Town

- 2.1 Before getting to the heart of this discussion, it will be worth considering what the potential benefits could be for NW Bicester in having a bespoke organisation created to manage certain aspects of the new place. After all, one could take the view that the existing arrangements could be rolled out for the Eco-Town in much the same way they have been for other recent sizeable developments, with the responsibilities being divided between CDC, OCC and BTC.

2.2 Eco Towns Supplement to Planning Policy Statement 1

The Eco Town Supplement to PPS1 sets out a requirement that planning applications should be accompanied by long term governance structures (Policy ET22). The policy is explicit in setting out the perceived benefits of such arrangements, but in summary, it sees the creation of such governance structures as a means to ensure that the new development retains its integrity as an eco-town and is able to maintain continued community involvement and engagement, so that change is managed in a planned way.

2.3 At NW Bicester, therefore, we have an opportunity to establish structures of governance at a local level which can increase social capital, rather than just deliver an efficient public realm management function. In its greatest manifestation, the governance model for NW Bicester could have the potential to deliver the following benefits:

- A managing organisation that supports the creation of social capital and cohesion during all stages of the development and beyond
- An organisation that has the flexibility to respond as effectively to the needs of the first residents as to successive waves of incoming residents
- An organisation that is able to ensure that the public realm is managed and maintained to the highest professional standards
- An organisation that is equipped with the professional and entrepreneurial expertise to manage and build on any assets / endowments over time
- An organisation whose governance structures allow NW Bicester residents (and potentially businesses) a voice (participation) in how the assets are managed
- An organisation which is empowered to act as a guardian of the Eco-Town's integrity and ideals, so that the agreed sustainability metrics are monitored over time and future development continues to meet the Eco-Town standards.

2.4 Certainly the Eco-Town PPS supplement is envisaging an organisational remit which can deliver the type of benefits set out above. It states clearly that planning applications should set out the proposed financial, management and legal structures to support such organisations, including arrangements for the transfer of land, buildings or endowment funds to resident-led community organisations for community use and development, including cultural, worship and income generating purposes. The PPS supplement envisages that this type of organisation will have the potential to bring different groups together to resolve any differences and avoid tensions, and create a sense of belonging for residents.

2.5 In summary then, while it would be quite possible to create a structure for NW Bicester that replicates a "business as usual" model, this would not be in the spirit of the guidance contained in the Eco-Town PPS supplement, nor would it meet all the aspirations for NW Bicester that

have emerged through the recent consultations with both members and the public. In addition, the LMO could have the potential to be funded on a more sustainable basis than the “business as usual” model.

2.6 LMO Examples

The concepts outlined in the Eco-Towns PPS supplement relating to community and governance are not new. The concept of local management organisations which complement existing democratic structures but which offer local residents and businesses a forum for active participation, where non-elected citizens can come together in decision-making on issues that affect their immediate area, has been employed in several locations in this country.

2.7 Letchworth Garden City Heritage Foundation

The Letchworth Garden City Heritage Foundation was set up in 1995 to own and manage the 2023 heritage property estate which it inherited from the Letchworth Garden City Corporation. The Foundation generates income from the estate and ploughs all surpluses back into the town through its six charitable objects and reinvestment in its property portfolio. 16 of the Foundation's 30 Board members are elected by the people of and organisations operating in Letchworth Garden City.

2.8 Milton Keynes Parks Trust

Nearer to Oxfordshire, the Milton Keynes Parks Trust was set up to manage and maintain the 4500 hectares of parkland and open space which is a key feature of 1970s new town. Along with a 999 year lease on the parks (which are ultimately owned by Milton Keynes Council), the Trust was endowed with commercial properties and other assets which finance the work. It has a chief executive and a small complement of staff, with a board of 20 members elected from local organisations, including the local authorities. Its remit includes enabling the public to play an active role in the stewardship of the green space.

2.9 Caterham Barracks Community Trust

More recently, the Caterham Barracks Community Trust was created via a Section 106 agreement following the redevelopment of redundant former MOD barracks. This organisation is a small asset based community development trust providing sports, arts, play and other community facilities which it develops and then hands over to local people to run, having also developed their capacity to do so.

2.10 The Northmoor Trust

The Northmoor Trust was set up in 1967 on the basis of an endowment of shares in Oxford Instruments. Over the years the shares increased in value and have provided a good financial platform for the Trust's activities. The Trust manages an estate of 300 hectares including Wittenham Clumps and Little Wittenham Nature Reserve. It has a total staff of 30 who are engaged in ecology, estate management, forestry and education. Their mission is to educate and engage people in their

local landscape and inspire them to take action to protect it. They have been set up as a charitable company, limited by guarantee.

- 2.11 There are several other examples of successful local management organisations, each having been set up in a slightly different way, with a different legal structure, level of assets and scale of remit. The key element that they all have in common is that they have been set up for the express benefit of the local community and to allow them a direct voice in local governance.

3.0 What Should the LMO do?

- 3.1 This section will investigate the existing responsibilities in the CDC administrative area for facilities and public realm management, before moving on to explore what opportunities might exist for a bespoke organisation to manage the public realm and provide other benefits at NW Bicester.
- 3.2 In considering what the new organisation could do, it will be important to understand how responsibilities in the CDC area are currently apportioned. Future discussions between the 3 tiers of local government will need to establish fairly early on what areas they envisage they will continue to be responsible for in NW Bicester and what areas could be managed by a new organisation. The Eco-Town PPS supplement clearly states that governance proposals should complement existing structures for parish and local governance.

3.3 Existing Responsibilities within Cherwell District (Table 1)

Function / Service	Oxfordshire County Council (OCC)	Cherwell District Council (CDC)	Bicester Town Council (BTC)
Parkland and Local Nature Reserve			Owens and manages
Allotments			Owens and manages
Children's play areas			Owens and manages
Sports pitches			Owens and manages
Sport centre		Owens and contracts out to private company to manage	
Informal open space and green corridors			Owens and manages
Balancing ponds / drainage			Possible role but yet to be fully determined, could be managed by OCC
Hard public realm e.g. roads, pedestrianised areas	Has responsibility for upkeep of adopted highway and associated hard public realm		
Cemetery			Owens and manages
Community meeting places		Owens but usually contracted to be managed by local residential associations	
Childcare/Nurseries	Owens and manages early years, others run by mix of private and voluntary sectors		
Rubbish collection	Deals with strategic disposal, landfill and household refuse sites	Manages the collection of rubbish	
Libraries	Owens and manages		
Museums	Runs museum service but currently no site in Bicester		

3.4 The above table is not an exhaustive list of all the services and facilities currently provided by the local authorities, but a quick analysis reveals that Bicester Town Council has considerable responsibility currently for the town's green spaces. This function is often included within the responsibilities of local management organisations, and serves to illustrate that there will need to be some discussion about who will be responsible for what function in NW Bicester, with Bicester Town Council specifically.

3.5 It may be a truism but the Table also illustrates the fact that several of the functions require specialist knowledge and experience in order to be carried out effectively and to a high standard. There will clearly be

areas where the local authorities are best suited to carrying out specific functions - indeed they may have a statutory responsibility (e.g. Libraries), but there may be other areas, where the new management organisation could quite reasonably grow the experience and knowledge to take on the effective management of functions.

3.6 Table 1 also illustrates quite clearly that currently, much of the management responsibilities in Bicester are liabilities, in that they need revenue funding to be provided and do not in themselves give a financial return. There are a couple of areas, childcare and the sports centre which are clearly attractive to the private sector because of their potential to be run profitably. The running of community centres too, may have the potential to generate some revenue. We may well have an aspirational list of functions we would like the new managing organisation at NW Bicester to perform, but the fact remains that many of these are likely to be liabilities and unless these liabilities can be balanced with a portfolio of activities capable of sustaining a profit over time, the venture will fail.

3.7 Following on from the possible benefits set out in paragraph 2.3, the potential activities of the new organisation at NW Bicester could be boiled down into 4 main areas as follows:

- Community development and democratic engagement
- Safeguarding the Eco-Town's assets including public realm management
- Developing a mixed income stream portfolio of assets and services
- Encouraging and promoting the development of NW Bicester on sustainable community principles and monitoring the same over time

3.8 Based on what we know about the emerging masterplan for NW Bicester and having looked at other successful LMOs, the asset base could include the following items. However this list is not exhaustive and does not cover potential funding to be gained from other entrepreneurial activities that the new organisation could perform.

- Community meeting places
- Childcare / Nurseries
- Leisure Facilities
- Parks and open spaces
- Playgrounds
- Land allocated for commercial purposes, e.g. retail
- Business park or units
- Office space
- Selling energy back to the National Grid, through stake in an ESCO (Energy Supply Company) or MUSCO (Multi-Utility Supply Company)

3.9 However, as indicated earlier it is important to distinguish between "capital assets" and "revenue liabilities". Community halls, parks,

playgrounds are revenue intensive and rarely survive independently without public subsidy (unless entry charges are pitched at a commercial rate). A successful organisation would need to own substantial assets capable of generating real returns. The matter of funding will be further explored in Section 7 of this report.

4.0 What Area should the new LMO cover?

4.1 This section will briefly explore what the possible options are in terms of the physical area to be covered by the new LMO. This is a key area to be discussed and agreed by CDC and its local authority partners.

4.2 Put simply it would seem there are broadly 3 options in terms of the area of coverage for the new organisation:

- i) The new organisation covers the entire site of the NW Bicester Eco-Town, including the exemplar development, and is confined solely to this area
- ii) The new organisation covers a wider area, potentially taking in other areas within Bicester, including areas of new development, such as the SW Bicester development;
- iii) The new organisation extends its remit beyond Bicester into wider Oxfordshire, particularly focusing on providing a service in other sizeable areas of new development.

4.3 Advantages of a Wider Scope

In essence, the main advantages of allowing the scope of the new organisation to go beyond the immediate NW Bicester area, would be to allow the potential for greater economies of scale and to enable the potential for a wider income stream generation to be realised. In terms of CDC and OCC members' express desire to ensure that the benefits of NW Bicester are felt beyond the immediate boundary of the new development, the concept of having a more wide reaching organisation could potentially help to fulfil that aspiration. Notwithstanding the potential funding advantages, by having an organisation that stretches out beyond the boundary of the Eco-Town, there could be potential to achieve a better level of integration with the existing community through the new organisation's democratic and community engagement activities.

4.4 Disadvantages of a Wider Scope

There are also some potential disadvantages. The first obvious one is the potential for the new organisation to tread on the toes of the local authorities and local councils in the area, by replicating functions, democratic or otherwise, or compete with them for assets. This risk would apply to the new organisation, whatever its size - however it is fair to say that the larger the area that the organisation covers, the greater the potential for this to happen.

- 4.5 Another potential risk may be that the larger the organisation, the greater the impact, if it fails for any reason. Depending on the organisational model and legal structure chosen, local authorities may end up being the “provider of last resort”. Many of the people who have the vision needed to get new ideas off the ground may not be so good when it comes to running a large organisation. Finally, an organisation that covers a wider area than just the NW Bicester may lose focus, to the detriment of the original ideals of the Eco-Town. This last issue raises questions relating to the interesting matter of timing of the set up of the new organisation and how it might evolve.

5.0 When should the LMO be set up and how could it evolve?

- 5.1 There is no doubt that setting up the LMO early, prior to the arrival of new residents and businesses has the potential to be a “quick win” in terms of establishing a “badged” vehicle for NW Bicester in advance of any development occurring on the site. However this advantage needs to be balanced with the idea that if an early set up is envisaged, then the status of the new body is such that it can adapt to the needs to the newcomers to NW Bicester as and when they arrive. It would be ironical if the new organisation set up with the purpose of allowing new residents a voice in decision-making, ended up alienating them because it was “too established”. In other words, if its objectives and direction were set too firmly prior to their arrival, by a strong clique of existing Bicester residents, new residents might feel deterred from joining.
- 5.2 Ideally the new organisation could be set up so that it evolved over time, starting with a low base, with its growth being justified primarily by the expanding population and development of NW Bicester. These trigger points would be arrived at from a clear financial and delivery plan as to how growth in services and assets would be delivered. If it was decided that there would ultimately be advantages to be gained from having an organisation that extended beyond the immediate NW Bicester boundary, then it may be that it would be sensible if the new organisation first cut its teeth on dealing just with NW Bicester. Having shown it was capable of dealing effectively with running at this scale, it could at a future stage, expand its operations into the surrounding area.
- 5.3 Promoters’ Views
There is another issue that will no doubt impact on the timing and evolution of the new organisation and that is the promoters’ inevitable desire to minimise the risk to their chief asset - the development itself.
- 5.4 Although the promoters of NW Bicester have yet to share their plans for site disposal with the local authorities, it is fair to assume that they will already have some views on the timing of this and the likely timescale to achieve a complete sell off of all the land. This matter is

likely to have a critical bearing on their views on the timing and nature of any new organisation that is set up.

- 5.5 In essence the promoters will want to be sure that any organisation that is set up to manage NW Bicester's public realm and any other asset, is experienced, fit for purpose and will achieve the highest standards of maintenance. Their concern is likely to be that if the new managing organisation fails in this respect, it will have a detrimental impact on the appearance and quality of the development, which in turn could deter sales of land to developers, or residences and business premises to individuals (depending on what their disposal strategy is), which in turn could give rise to cash flow problems.
- 5.6 This then, should also be a key concern for the local authorities as financial difficulties for the promoters would inevitably impact on their ability to meet their S106 / Community Infrastructure Levy (CIL) obligations and the timely provision of infrastructure. Therefore it may be that the promoters would feel more comfortable with managing and maintaining the landscaping and other areas of public realm until they have achieved complete disposal of the site. This concern may also then directly impact on how the organisation evolves - for example, during the time the site is being developed the organisation confines itself to community engagement, but upon the removal of the developer interest in the site, the new organisation is endowed with assets and takes on wider management and delivery responsibilities. This is a tangible example of why the promoters also need to be involved in this debate, before decisions are set in stone.
- 5.7 Obviously there will need to be discussions about exactly when the organisation should be set up, the timing of various stages and then how it might evolve. This would ultimately need to be predicated on a robust business / delivery plan, but a possible scenario might be as follows:

Stages of LMO Evolution (Table 2)

Stage	Activity
Stage Zero - prior to first occupants	1) Strategic Delivery Board (SDB) to: <ul style="list-style-type: none"> decide initial objectives and focus of LMO agree indicative corporate structure agree milestones for evolution of LMO advise on the asset base to negotiated as part of the S106 and investigate complementary sources of funding 2) Appointment of small complement of staff to carry out early community engagement with new residents and build social capital
Stage 1 – possibly midway through the development	Interim LMO to assess new community's appetite for community involvement and if present, SDB to instruct setting up of Shadow Board and confirm corporate structure
Stage 2	1) Establishment of permanent Board 2) LMO to start to take on responsibility for management and maintenance of assets.
Stage 3 - Development completed, developer has no more financial interest in site	Full assets handed over plus endowment - LMO realises full control and responsibilities
Stage 4	If successful in its management of NW Bicester, LMO seeks to extend its remit beyond the EcoTown

- 5.8 This is only one possible scenario, several others could be possible. However the key point to note is the principle of ensuring the LMO for NW Bicester evolves through a series of agreed milestones. In this way the organisation will only move to the next stage once it has demonstrated that it can satisfactorily deal with risk and responsibility for its allocated activities. If concerns emerge about its performance or funding, then these can be addressed before they become critical.

6.0 What Type of Organisation?

- 6.1 In identifying a suitable organisational and legal structure it is worth bearing in mind that form should ideally follow function. For example, in terms of the legal structure, whether it is initially set up as a charity or non-charity will be determined by what type of activities it will be involved in. Community building activities, asset management and potentially the utilisation of assets to generate a return are all potentially charitable activities. This could include the ownership and management of some commercial properties as an investment (to yield an income stream to support its activities).
- 6.2 More entrepreneurial activities, such as developing properties for sale or selling electricity to the National Grid would not fall within this category and so could be undertaken by a charity. Once established, a charity cannot be converted into a non-charity, it will be important that key activities are identified at an early stage to allow flexibility to be built into the corporate structure.

6.3 As well as type of activity, the nature and quantum of what is to be managed will also need to be understood before any key decisions are made about organisational structure. As the masterplan is still emerging, it is difficult at the present time to be clear about the quantum and nature of the green infrastructure, the nature of any proposed SUDS (Sustainable Urban Drainage Systems), the size of any community buildings etc. Once the masterplan has developed further, this information will need to be evaluated to see what organisational and legal structures could be best suited to the Eco-Town.

6.4 Organisational Models

Notwithstanding the above, it is worth starting to consider what the organisational and legal options could be. In essence, there are four main approaches to the management of the public realm and assets, none of which are mutually exclusive. They are:

- Through the public sector - parish, district and county (in other words what already exists in Bicester)
- Contracting to a private management company – this may well be an interim approach employed by the promoter / developer as referred to in paragraph 5.6 above
- Partnering with a Registered Social Landlord (RSL) - in NW Bicester's case, the early involvement of A2 Dominion on the Exemplar Scheme and possibly in the full development, may provide a fruitful opportunity for further productive discussions in this respect. Increasingly RSLs are becoming involved in wider neighbourhood and estate management initiatives, often as a result of local authority stock transfers, but also because many are now broadening their remit to be providers of both affordable and market housing, such as with A2 Dominion.
- Through a new community based organisation.

6.5 As regards the final bullet point, a community based organisation for NW Bicester could take several forms:

i) A Development Trust

This is essentially a voluntary organisation which could take the form of a company limited by guarantee, with possible charitable status. As a charity, its assets would need to be used for public benefit and in accordance with its objects - effectively an asset lock. It could have separate trading companies which would covenant its profits back to the parent charity through Gift Aid. It would be able to utilise a variety of funding sources, but would require an endowment, quite possibly some assets capable of generating a return and initial funding for staff - for example the Keystone Trust in Thetford, Norfolk has an innovation centre, an enterprise factory, various community centres and sister trading companies. It also has a "musicians collective" for 11-25 year

olds, which is an illustration of the community engagement potential of this type of set up.

ii) A Community Interest Company (CIC)

This is a type of Social Enterprise which can be established explicitly to trade, make profit and use assets for the public good. The idea behind CICs, which were promoted by the previous government, is that they are suitable for those circumstances where there is a need to work within the relative freedom of the familiar limited company framework but without either the private profit motive or charity status.

It could adopt a more explicit trading culture as it would not be bound by the limitations of charitable status and could raise funds in the form of equity and loans - however it would still need an endowment and assets to be sure of its continued financial viability. CICs report to an independent regulator on how they are delivering for the community and how they are involving their stakeholders in their activities.

Possibly the most important feature of a CIC is that its assets can be “locked”, which is a unique characteristic amongst non-charitable models. This means in effect that they must be locked within the Community Interest Company and used for the purposes for which the CIC was formed. Assets may be transferred, but only in circumstances permitted by the Regulations, such as to another asset locked organisation. Once a CIC owns an asset, that asset cannot be passed onto a public body such as CDC or BTC.

iii) A Community Land Trust (CLT)

This could generate value through community ownership of an area of land, often used to secure affordable housing in perpetuity and also suitable for other purposes. This works on the principle that transferring land to community ownership allows the capture of value uplift of the asset over the long term, thus, with the example of affordable housing, allows low costs / affordability to be sustained over the long term. What distinguishes a CLT from other models are its aims and objectives rather than its organisational model. CLTs are usually limited companies with charitable status or are formed as Industrial and Provident Societies, such as the Letchworth Garden City Heritage Foundation.

There are also a number of trusts that have taken over and managed green spaces and wildlife habitats, such as the Marston Vale Community Forest in Bedfordshire.

iv) A Commonhold Association

This could take the form of a partnership with a RSL to represent households in part or all of the development - e.g. the Hyde Housing Association's Commonhold proposals for Oakgrove, Milton Keynes, where they are in partnership with the developers to establish a

subsidiary body that will be responsible for all public realm management within the new development.

The essential principle behind Commonhold Associations is the management of the common asset through the democratic mechanism of the Commonhold Association, on the basis of one member, one vote. It allows freehold ownership of individual residential and non-residential units within the wider estate which is owned by the Commonhold Association. Therefore the Commonhold Association is a limited company and is the vehicle which owns and manages the common parts of the estate (or buildings such as blocks of flats). A source of funding would be the financial contribution required from each unit holder towards the running costs of the organisation.

6.6 Ownership versus Leasehold

To what extent any community and social facilities will remain in public sector ownership, will need to be discussed as part of the debate on organisational model. Options could include:

- Public sector maintaining ownership, but leasing facilities to the LMO to manage and provide service delivery;
- Public sector maintaining ownership and responsibility, contracting out management and delivery functions to the LMO or;
- Public sector relinquishing ownership and responsibility so that ownership, management and service delivery falls to the LMO

6.7 The traditional approach to safeguard the public interest has been for the public sector to retain freehold ownership, but allowing long lease arrangements - for example, Milton Keynes Council owns 4500 hectares of parkland but has leased it to the Parks Trust on a 999 year lease. A general point is that ownership of assets, may allow the LMO greater ability to lever in finance and certainly the CIC model discussed above, would allow an asset lock to safeguard the public interest.

6.8 Once more about the emerging development is known and agreement is reached on what the LMO needs to do, options for organisational type and legal structure can be narrowed down. As part of this process, legal advice should be sought.

7.0 **Funding**

7.1 The whole matter of ensuring that there is sufficient funding to support the LMO has been referred to several times throughout this paper already. This is because it is such an important part of ensuring that the LMO is successful over all stages of its activities. While the matter of ensuring adequate funding needs to be investigated once the nature of the planned development is known, there are some general observations about funding sources that are worth making here.

- 7.2 There may be several available sources of funding, however a key assumption is that a major part will come from having an adequate financial endowment and asset base available to the LMO. The size and nature of the public realm and community buildings are not known at the current time; it is therefore difficult currently to estimate what constitutes “adequate”.

S106 Agreements

- 7.3 Another key assumption underpinning this paper is that a major part of the endowment and assets will come via the S106 Agreement attached to any outline consent. A basic point to make is that from the promoters’ point of view, there will be a finite S106 budget, therefore, realistically assets and endowments for the new LMO will compete in the S106 negotiations with more traditional infrastructure requirements, unless other significant sources of funding are available. As part of the S106 negotiations, it would be advisable to proceed with the developer on an open book basis so any impact on overall scheme viability can be properly assessed by the local authorities. Whatever the picture on viability, in terms of funding, it would be wise to proceed on the basis of seeking to fund the LMO through a portfolio of approaches. The following sets out what some of those could be.

Entrepreneurial Activities

- 7.4 In addition to the asset endowment, an income stream could be generated through guaranteed contractual arrangements with third parties, which might include the developer, BTC or the local authorities, such as maintaining areas of public realm. Ideally the organisation would also need to ensure that it is not too heavily reliant on a small number of dominant clients, the loss of which might give it significant cash flow and viability challenges.
- 7.5 Income obtained from managing the community centre, letting office space / start-up units or running a café (assuming these were assets endowed to the LMO), for example may all provide a useful supplement to the asset endowment. More adventurous activities such as the LMO receiving revenue generated from energy generation through having a stake in a MUSCO or ESCO, would need looking at carefully for feasibility and viability, as well as discussing the principle of this with the promoters.

Service Charges and Precepts

- 7.6 Another source of income and a not uncommon solution to long term funding for successful LMOs could be to make a service charge to all households and businesses at NW Bicester, given that only Parish and Town Councils can charge precepts. However the impact of this on the out turn costs for those in affordable housing would need to be carefully considered and discussed with A2 Dominion and any other RSL involved in the development. Any charge would also need to demonstrate value for money when compared to, or in conjunction with the Town Council's precept.

7.7 Tax Efficiency

Although not a direct source of funding, the issue of taxation is relevant to the financial viability of the LMO. Further advice would need to be sought on this matter in due course, however, the way the organisation is set up, could either have significant advantages in terms of Stamp Duty Land Tax or, significant liabilities in this respect – especially if the LMO is endowed with assets.

7.8 Eco-Towns Funding

There is some scope for part of the Eco-Towns funding that has been allocated to CDC to progress NW Bicester, to be designated for setting up the LMO and possibly to form part of any potential endowment, depending on the amount that could be available for this purpose. Recent discussions with Henry Cleary at Communities and Local Government (CLG), confirmed that this would be viewed as a valid project to allocate funding to.

7.9 Potential Grant Income

Although it is currently difficult to ascertain the amount and sources of grant that could be available to support the NW Bicester LMO, this area should be further investigated, both from UK and European Union sources.

7.10 Tying in with a Strong Parent

One option for the LMO to give it greater financial security might be to become part of an established group - with an RSL for example, or other body, such as The Wildlife Trust or the Parks Trust, Milton Keynes. This could potentially happen at any stage of the organisation's evolution. This could give the LMO additional financial support together with the advantage of being able to access specialist knowledge within the group.

8.0 **Conclusions and Next Steps**

- 8.1 This report has attempted to provide an overview of some of the salient issues that will need to be considered as part of on-going discussions over the role any future LMO could play in the future management and governance at NW Bicester. In order to proceed on a firm and informed basis, further work will need to be carried out to establish the remit, appropriate organisational model, legal structure and financial viability of the NW Bicester LMO. Of these areas, the LMO's remit of activities and degree to which it is independent from the other local authority tiers, are the first areas that will need to be established. In terms of degree of independence, the broad choices are:

- i) An all purpose model, where the LMO will exist as a freestanding legal entity which takes responsibility for specified activities
- ii) The selective model, where the LMO would take on responsibility for activities that the local authorities would agree to be handed over
- iii) The integrated model, where the LMO's activities would be integrated with an existing agency such as an RSL
- iv) The LMO remains freestanding but uses an RSL or other body to carry out certain functions

8.2 This report has shown that there are many issues to consider in deciding on what basis to proceed. The following suggest the steps that should be taken and the order that they should be taken in:

Steps towards agreeing proposals for NW Bicester LMO in time for Outline Planning Submission (Table 3)

Step	What needs to be done	When
1	Discussion forum with CDC/ OCC / members to obtain initial views over LMO remit	June / July 2010
2	Discuss with BTC - as part of the above or sequentially	June / July 2010
3	Discuss initial views with Eco-Town promoters, including the potential role for A2 Dominion, overall implementation strategy and their appetite to endow possible assets through S106	July 2010
4	On this basis, paper to go before SDB to obtain initial decisions on scope, functions and area of operation	July / August 2010
5	Investigate with the promoters the scope and quantum of public realm to be managed through reference to the emerging masterplan	July / August 2010
6	Having ascertained and agreed scope, functions, area of operation, quantum of public realm and developer's attitude, if still a viable concept, commission work to examine the options for legal structure. (Promoters to meet total costs or share costs with CDC and partners)	September / October 2010
7	Alongside Step 6, commission a Business Plan for the LMO with identified trigger points for its evolution and growth, if appropriate. This will allow consideration on the basis of known information and decisions to date, whether the LMO could be viable, or if not, where it might need to be re-assessed. This work will help support S106 negotiations (Promoters to meet total costs or share costs with CDC and partners)	September / October 2010
8	Promoters to include agreed governance proposals in outline planning submission and S106 Heads of Terms	December 2010

8.3 The above gives an idea of the steps need to be taken to allow the promoters to include the agreed proposals for the LMO in their outline planning submission currently anticipated to be during December 2010. This means that of necessity, the process is on a tight timescale. In order to meet this, it is advised that the suggested discussions need to be progressed without delay. However like much of the work on the Eco-Town, this area should not be regarded in isolation and as a result,

to some extent the process towards agreeing the proposals for the LMO may be more iterative than the above table would suggest.

9.0 Recommendation

- 9.1 It is recommended that as a first step, a discussion forum is set up as soon as possible, in order to discuss and agree initial views on the LMO's scope of activities, area of operation and the degree to which it is independent from the other local authority tiers. Suggested invitees are: the leaders of CDC and OCC Councils as well as the leader of Bicester Town Council, **ADD**.

Sources:

Eco Towns: A Supplement to Planning Policy Statement 1, Communities and Local Government, July 2009

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